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THE STRATEGY OF INDUSTRIAL DEVELOPMENT

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THE STRATEGY OF INDUSTRIAL DEVELOPMENT

by

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1. Designing a strategy for industrial development in an enterprise economy is still more art than science. Nonetheless, experience acquired over the last twenty years beginning with Operation Bootstrap in Puerto Rico yields principles that have value and which may, when summarized, be regarded as the elements of strategy for industrial development having general applicability to the needs of the less-developed areas of the world. This paper collects and examines these principles, their values and their limitations as a basis for policy.
2. The elements of an industrial development strategy may be classified as institutional, procedural and substantive.
3. The key institutional element in successful industrial development strategy is a central executive organization having high professional competence and political power. Such an organization must have at its disposal, and integrate the efforts of, a range of ancillary specialized institutions. Many of these have emerged only recently as tools of industrial development and are still experimental and evolving: development banks and corporations, technical assistance institutes, industrial development centers, planned and managed industrial districts. Over the longer term, the executive organization must support, or if they are missing, create indigenous institutions concerned with the intellectual infrastructure of industry, which educate, train and inform an expanding cadre of industrial manpower, from skilled labor to executive management and the service professions.
4. A key procedural element in successful programs of national scope appears to be the early formulation and use of quantitative objectives, finite in units of time, production, establishments and employment. These must be consistently related to the national economic development plan, if one exists, and to the nation's resources. Formulation of such objectives, and the measurement of a program's achievements against them, does not imply or require governmental direction or control of economic activity and thus is not inconsistent with the operation of an enterprise economy. Of nearly equal importance to quantitative objectives is adherence to a system of priorities logically related to them. Neither objectives nor priorities will have value unless measurements and policy decisions are based on sound economic research. Well-conceived and energetic promotion of investment in industry is a fourth essential procedural element.
5. The substantive elements of an industrial development strategy are the most diverse, specialized to each situation, and controversial. Of crucial importance is orientation of the program to knowledge of the market, present and potential. Scarcely less significant is a policy of integrated development in which projects are evaluated in terms of their capability for meshing into the growing economy. A third essential substantive element is consistent application of the test of

national economic benefit. Since commercially uneconomic industrial projects are of negative value, the test of commercial viability is also essential. Technology must be applied imaginatively both to maximize the value of resources and to create new products and services adapted to the economy and culture. Respect for the capacity of research to illuminate policy decisions must be balanced by recognition of the proper role of political judgment. Finally, but pervasive in its importance in economies in which reliance is placed on private enterprise, is the maintenance of a legal and political environment in which there is expectation of fair return on capital and human investment.